

**Laying the Foundation for a
Profitable New Year in Property Management
By Larry Rubenstein, Ph.D.**

Another year of property management has flown by. Hopefully, it was a good year, but the question is "Do you really know how last year compares with the year before, or what you can do to make this year more profitable?"

Surprisingly, many property owners look only at the bottom line and don't take the time to analyze their property's financials. Yes, the bottom line is the final word, but it's made up of many expense and income items. Adjustments in some of these items can make a bigger bottom-line number.

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So what can you do to close 2004 right and lay the foundation for a profitable 2005? Here are some guidelines based on our experience.

Year-End Reports

Are year-end reports in a clear and concise format that tell the financial story of your property quickly? Do they make sense to you or only to the person who prepares them?

Your reports may be perfect, but if they're not, if you wish they were easier to read, even if it's just having a larger print type, now is the time to take them in hand.

Whether you prepare them or engage a professional, sit down and sketch out what you want. If you're giving direction to another person, be very specific about what you want so he or she can give it to you. It's easy to get in a rut and accept what is handed to you, even if it's not exactly what works. Now is the time to make the change.

Projections

Put together a projection for this year's operations. Most likely, it will be based on last year's performance, but what a great opportunity to examine what you can do to make the new year operate all the better.

Take a good look at utility costs, maintenance expenses and most important, rent collections. What might you do differently to optimize rent collections, avoid collection losses and increase rents?

How about inspecting all units for smoke-detector malfunction, water leaks and other potential maintenance issues such as mold? It's much easier to take care of these things before they become a crisis.

Projections can make this year's management much easier as you identify items that differ from your planned projection. Focusing on those issues allows for better management of your property. For example, utility expenses that are off-target are identified quickly for correction of maintenance problems.

The trick to making projections work is to use them. All too often, they are put in a drawer or on a shelf and never looked at again. Keep them at hand and refer to them as you receive the New Year's financials. They are a tool that can make you money.

Resident Manager

This is a great time to look at the overall management of your property. The resident manager is an essential part of a building's success. If the building is not running to its potential, look at your resident manager's situation and get his or her thoughts.

Does the manager need more training or supervision, or is it time to find a replacement? Nip any issues in the bud.

The Property

This is also a great time to review what upgrades your property may need and include those in your operating projections. Is your property getting tired looking? Could the building use some new plants, pots fresh paint or color, patio or pool furniture? Is the parking area clean? Are the gutters clear and outstanding roof leaks taken care of for the rainy season?

Any extraordinary expenses and capital items then can be placed in next year's cash-flow projection to assure money is available to complete the projects on schedule.

It's worth the time it takes to lay foundation for a profitable New Year. Not only can it make you more money, but it can save you time and headaches down the road.

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